



# **Report Of Findings From Marketing Focus Groups Among Taxpayers**



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Task Order #14

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# Introduction

## Research Caveats:

First Caveat: Qualitative Research is designed to understand the beliefs, perceptions, and motivations that drive target audience actions. This methodology is executed by speaking with a small number of people who have common interests, orientations, or circumstances. Such was the case in this study; therefore results here are qualitative in nature and cannot be considered representative or predictive of the larger target audience.

Second Caveat: In addition, learning from the study applies only to specific segments of Taxpayers (as described later) and not to the larger universe of ALL Taxpayers.

## Research Objectives & Target Audiences

- **The IRS wanted to test and refine messages for the e-file engagement program (targeted at e-file Taxpayer holdouts) as well as its approach to marketing the program.**
- **The specific objectives of the Task Order 14 Marketing Focus Groups were to...**
  - **Understand current perceptions of e-file among Taxpayer holdouts;**
  - **Explore reaction to messaging input ideas for e-file;**
  - **And probe current perceptions of Free File and specific appeals to use that service.**
- **A total of 8 focus groups were conducted – two each with Taxpayer holdouts identified as...**
  - **Self Paper Filers**
  - **Self V-Coders**
  - **Paid Paper Filers**
  - **Paid V-Coders**

# Methodology: 8 Focus Groups Allocated Across 4 Cities



East Rutherford, NJ November 2, 2009	Orange County, CA November 3, 2009	Chicago, IL November 4, 2009	Atlanta, GA November 5, 2009
<b>2 Group of Taxpayers</b> • 1 group of Self V-Code • 1 group of Paid-Paper	<b>2 Group of Taxpayers</b> • 1 group of Self Paper • 1 group of Paid V-Code	<b>2 Group of Taxpayers</b> • 1 group of Self Paper • 1 group of Paid V-Code	<b>2 Group of Taxpayers</b> • 1 group of Self V-Code • 1 group of Paid-Paper
12 recruited for each group with 9 and 6 participating	12 recruited for each group with 7 and 9 participating	12 recruited for each group with 9 and 8 participating	12 recruited for each group with 9 and 8 participating
<b>8 Groups Total</b>			

## Stimuli Tested In Focus Groups

- During the focus group discussions, participating Taxpayers were exposed to the following brief messaging concepts for e-file.

(L) *e-filing* protects your privacy and acknowledges you with a confirmed receipt from the IRS

(N) *e-file* respects your time and money by getting you your refunds fast

(R) Using *e-file* to deliver your taxes is safe and secure and provides you with confidential tax return processing

(S) Using *e-file* is fast. You can get your refund back in as little as ten days.

(T) *e-file* is accurate. If you use it there is less likelihood you will have to be contacted by the IRS with questions about your return

(W) *e-file* is easy to use – we understand what you need in order to get your taxes filed

# Key Findings



## Taxpayers' Current Perceptions Of e-file

- **All of the Taxpayers we spoke with had heard of e-file, but were using other methods to file that they were more familiar with and more comfortable using.**
  - Some participants had tried e-file in the past, but most of these said they were not able to complete it or found it difficult to complete.
  - Most had made the determination at some point that e-file was not appropriate for their specific filing needs and had not considered it again.
- **When presented with reasons to e-file, Taxpayers' willingness to consider e-filing appeared to be linked to how much behavior change it required of them.**
  - Self Filers tended to be more reluctant to e-file because they saw it as requiring significant change in their behavior, with no clear benefit.
  - Self Paper Filers were particularly hesitant because e-filing required them to fundamentally change how they file their taxes.
  - Some of the Paid Filers seemed very open to considering using e-file because it required little change in what they were currently doing – if their Preparer would support the change.
  - Other Paid Filers saw no personal benefit in making the change and were reluctant to change to “help out the IRS” because they viewed the IRS as something of an adversary.

## Reaction To Messaging Concepts & Other Inputs

- The one input that generated the most impact across all of the Taxpayers we spoke with was learning that “nearly 70%” of personal returns were filed by e-file.
  - This information was overwhelmingly surprising to participants and generated significant interest in investigating whether this could be accurate.
  - Across both Self and Paid Filers, there was interest in understanding more about why so many people were e-filing and if it was something that might be an option for them.
  - For a number of participants, part of the interest in investigating the e-file rate was due to participants’ skepticism about IRS information and because they had not observed e-filing to this extent among their closest peers (people they know).
- The messaging concepts that tended to rise to the top across the groups were those that reassured participants that the e-file process was safe and would protect personal data.
  - These Taxpayers’ greatest concerns centered around keeping their critical personal information protected and much of that concern related to a feeling (among some) that transferring information electronically was inherently unsafe.
  - The statements presented in Concepts L & R that mentioned “protects your privacy,” “safe and secure,” and “confidential” helped reassure many that they would be protected.

## Reaction To Messaging Concepts & Other Inputs (Cont'd.)

- Participants liked hearing that e-file would be “faster,” but both messaging concepts that mentioned speed (S and N) had supporting information that harmed the claims.
  - Participants appreciated that e-filing would shorten the time it would take to process their returns and most believed it was important to reinforce that information.
  - Both of these statements also included phrases that triggered Taxpayers skepticism toward the IRS, using terms such as “in as little as” or promising to “respect your time and money.”
- Taxpayers reacted negatively to messaging Concept “T”, due to a feeling that the statement was threatening; and to Concept “N”, as many felt this was completely unbelievable.
  - Both Concepts T and N contained information that participants like to see, such as “e-file is accurate” and “e-file is easy to use” respectively.
  - When Concept T mentioned that using e-file would make it “less likely you will have to be contacted by the IRS,” many participants bristled, because they had never had this issue in the past and some felt that they were being threatened.
  - Many participants scoffed at their interpretation of the phrase, “understand what you need”, in Concept N as an unbelievable attempt by the IRS to be seen as “understanding and “sympathetic.”

## Perceptions of Free File

- **Most Taxpayers were generally interested in learning more about Free File when it was first mentioned and it was new information for most.**
  - Many were attracted by the idea of having something for “free,” although many were less interested when they were told about the adjusted gross income requirement. However, most of those who did qualify for Free File were interested in finding out more about the program.
- **Finally, as more of the details of Free File were revealed, it became clear that most Taxpayers would need to be given much more information before they would be comfortable using the program.**
  - In the case of the Self Paper Filers, the Free File program seemed to require them to do two things they were typically uncomfortable with: 1) use a computer for their taxes; and 2) transmit their information using a third party.
  - Although the details helped clarify some of the questions participants had, there still seemed to be a number of specific details that would need to be satisfied before they would see Free File as a realistic alternative.

# Detailed Findings

# Taxpayer Perceptions of e-file

## General Perceptions of e-file

Awareness of e-file was very high among these participants, with a number having tried e-file at some point. Some were open to using e-file, while for others, the changes required to e-file raised significant concerns.

### DESCRIPTION OF E-FILE

Many Taxpayers now file their Federal Income Tax Returns electronically, using *e-file* – a fast, easy, paper-less alternative to paper returns. Taxpayers or their Tax Professionals electronically file returns online or using tax preparation software, and can prepare and file returns 24 hours a day/7 days a week.

#### Awareness

- Many are aware
- “You are basically sending your tax returns by electronic to the IRS,” GA
- “You get your return faster because they get your info faster,” GA
- “I assume it’s just a means by which you can access their website and transfer the information from my software,” IL

#### Usage

- Some have tried before
- “Once I used it because I was late,” NJ
- “I tried it, I went through and then I kicked myself out because I had to make changes,” CA
- “I don’t like when I went to the website gave me a list of names you have to go to,” CA

#### Perceptions

- Some are open to using it while others are satisfied with current system
- “Sounds like a good idea but my biggest issue is security,” NJ
- “For people who don’t have complex returns so I just brushed it aside,” CA
- “Perfectly fine idea, method of communicating, faster, more efficient,” IL

## Motivations: Self Filers

Many of the participants who file for themselves reported that they like the “control” they feel they have by doing their own taxes. They are able to take their time, change their mind, and for some, filing taxes was not seen as particularly difficult.

### Paper

#### Self Paper

- *“I like having control of my stuff. I don’t feel like I’m writing and I’m doing it [online]. I’d rather have control,” CA*
- *“Mine are not that difficult and I feel like I should know what is being done with my money” IL*
- *“I have been doing my own taxes this way for over 30 years and I have never had any issues,” IL*
- *“I like to spend my time, I’ll take like a week to do my taxes,” CA*

### V-Coders

#### Self V-Coders

- *“You get the software update every year and it has everything you could need,” GA*
- *“Paper for people of a certain age give people a certain sense of confidence,” NJ*
- *“My program asks me all of the questions. I don’t even have to figure out the forms – it fills them all out for me,” GA*
- *“I used to be an accountant. I know what I’m doing,” NJ*



## Concerns About e-file: Self Filers

For these participants, e-file raises the concern that they would give up the control that they look for in a tax filing method. For Paper Filers, adopting e-file would require significant behavior changes. While e-filing would require fewer behavior changes for V-Coders, some of them were still resistant to the loss of control.

### Paper

#### Self Paper - e-file

- *"I set aside the time to get all of my materials together. I go through last year and I just do it," IL*
- *"It frightens me. I'm not that computer savvy and these are the most important documents I'm sending out every year," CA*
- *"I make changes as I go and you can't do that on e-file. It's great if someone else does it for you. I'd print it out and then go back and fill it out, but then I'm doing double," CA*

### V-Coders

#### Self V-Coders - e-file

- *"I just want to know that nobody else gets my info except those who are supposed to," NJ*
- *"I don't have any security that it has really gone over. You want to know that it's received by them. I mail it certified," NJ*
- *"I tried to do it once and it rejected it. So, I just didn't try it again," GA*

## Motivations: Paid Filers

Participants who use Paid Preparers had made a decision at some point that their taxes were too much or too complicated to handle on their own. Most felt that they benefited by having an “expert” prepare their taxes and (as we have found historically in IRS research) most said that they rely heavily on their Preparers’ recommendations.

### Paper

#### Paid Paper

- *“I send all my information to him. I get calls a couple of times with questions. Then I get them in the mail with a stamp, look them over and send it out” NJ*
- *“I do my paper work and my accountant plugs it in and just thinking about having to figure out where to plug it in, ugh,” GA*
- *“They ask do you want us to file electronically or do it the old fashioned way,” GA*
- *“I’m confused by preparing and filing. I get an expert to do it,” GA*

### V-Coders

#### Paid V-Coders

- *“We have used the same CPA for years. He knows all of my properties and everything. It is pretty easy at this point,” OC*
- *“I like the way it’s done. It’s what I’m accustomed to. I’m conformable with it, I’ve never been late,” IL*
- *“I have a good guy. I like that he mails it to me, I sign it and mail it back, if he has any questions, he calls. Been using him for years,” IL*

## Concerns About e-file: Paid Filers

The Paid filers tended to be more confused by e-file and had trouble identifying personal benefits. Many said they remembered being offered the e-file option by their Preparer for an additional cost – and one that they could not justify, since they were not doing the filing themselves. There was also the perception that some paperwork would still be required.

### Paper

#### Paid Paper – e-file

- *"I'm offered it [e-file] every year and I usually owe money so I don't want to give it any sooner," GA*
- *"He has never said anything about it. He knows better than I do. Maybe there is a reason I can't do it," NJ*
- *"I probably would love that. I'm getting tired of the papers," GA*

### V-Coders

#### Paid V-Coders – e-file

- *"I want to look at it before it goes to the IRS. I need to look it over and send it when I want to," OC*
- *"I almost did e-file one year but it was going to cost me money...if I'm paying an accountant then I don't want to pay," IL*
- *"If someone has to give me something I have to sign and mail back what's the difference anyway?" IL*

## Reaction To/Perceptions Of Free File

The majority of participants were unaware of Free File. As some details were introduced, many questioned why Taxpayers were being asked to change their behavior to “make things easier for the IRS”. There was interest among some who would qualify, but most still needed significantly more information.

**e-file includes an option for qualified Taxpayers to file for free, by going to Free File on [irs.gov](https://www.irs.gov)**

- “I think they did this before but I feel more secure with Turbo Tax because I’ve been using it for years,” NJ
- “I tried to do it once, but you had to choose another company to use. I didn’t do it,” CA
- “I used it a couple of times when I was in college. It was fine, but now I don’t qualify,” GA

- “You have to click on qualified and see who is and like another half hour trying to figure out who is qualified,” NJ

- “You have to put in all the information and finish it all in one day. I don’t like that,” CA

- “Why would I want to make things easier on them (IRS)? I want it to be difficult for them,” GA
- “Seems like we are doing IRS a favor,” CA
- “If it’s saving them time so they don’t have to input why would they charge,” IL

# Reaction to New Messaging & Inputs

## Reaction To The “Nearly 70%” Statistic

Because none of these participants use e-file [by screening criteria], the majority were shocked by the “nearly 70%” statistic. However, this high percentage figure made an impression on them and many were more open to the idea after hearing about it.

### SHOCKED BY NUMBER

- *“I have trouble believing that 70% of people on their own are e-filing, think it might be accountants,” NJ*
- *“I didn’t think that many people had Internet access or were that savvy,” IL*



### MORE APPEALING

- *“Just a change in the system, most by paper now more efficient,” GA*
- *“Makes me more confident, must be working. I’m obviously the minority. It’s time I get off my horse and do it, get your money back quicker,” CA*
- *“I ought to take a closer look at this as well,” CA*

**NET:** This idea was the most impactful idea presented. The majority of the participants were shocked by this number and it made many of them more open and comfortable with the idea of trying e-file.

## Reaction To Messaging Concept L

Ensuring the privacy of personal financial records was a paramount concern for many participants. Many also appreciated the confirmed receipt because it helped assure participants, particularly self preparers, that the IRS had received their documents.

### POSITIVES

- Privacy was a significant concern
- Confirmation was a positive addition that helps concerns about “what happens to my return?”

**(L) e-filing protects your privacy and acknowledges you with a confirmed receipt from the IRS**

### NEGATIVES

- None

- “Eliminates a couple of my concerns right off the bat – privacy and whether or no this thing gets to them,” CA
- “I like the privacy and confirm receipt, acknowledging it,” NJ
- “Very important if you are considering doing this because you want to make sure that it gets where it's going and it gets in the right hands,” NJ

- “Gives you a warm feeling, you’ve submitted it, they acknowledge it before the deadline,” NJ
- “I really like the fact that now if I use e-file that they get it because I always worry if they got,” CA
- “once my local real estate mail never went through and I was penalized and they said I never paid and here you get a confirmed receipt...yeah it got there,” IL

**NET:** The confirmed receipt addressed a barrier and was extremely appealing to participants. The reference to privacy was also well received.

## Reaction To Messaging Concept R

Participants reacted very positively to the ideas of being “safe, secure, and confidential”. This addressed their primary concerns and hesitations about e-file.

### POSITIVES

- Key words: Safe, secure, confidential
- Addresses fears/barriers
- “Deliver” sounds like secure, “like the mail”

**(R) Using e-file to deliver your taxes is safe and secure and provides you with confidential tax return processing**

### NEGATIVES

- Some questions about whether traditional filing is “not safe and secure”

- *“Safe, secure, confidential - that’s not how I feel to do e-file now,” NJ*
- *“It’s most important to me because it’s what I’m concerned about,” NJ*
- *“If the government would have your back in a sense, like with hacking you aren’t liable, similar to a credit card, then that’d be good,” NJ*

- *“I like the word deliver, sounds so much like the mailman,” CA*
- *“Think of it as instantaneous,” IL*

- *“Is e-file more confidential than paper...this implies that,” GA*
- *“Describes what e-file is, delivers your taxes and tax return processing,” IL*

**NET:** Extremely well liked because it directly addressed concerns and barriers to e-file.



## Reaction To Messaging Concept S

For most, 10 days was seen as short amount of time to receive a refund, but the phrase “as little as” raised a red flag for many participants. A few felt that the information focused too much on those who would get a refund and did not apply to them.

### POSITIVES

- 10 days is appealing and believable

**(S) Using e-file is fast. You can get your refund back in as little as ten days.**

### NEGATIVES

- “As little as” made some question how long “will it really take”
- Directed only at those who would receive a return

- *“It’s direct - it’s fast, you get your refund back quickly,” NJ*
- *“I like the 10 day thing,” GA*
- *“I don’t expect them to get it back in 10 days but that they can do that’s good information to me,” IL*
- *“10 days gets your attention, that a short period, that’s a big turnaround for the IRS, that will never happen,” GA*

- *“Says you can doesn’t say you will,” NJ*
- *“I’d want to know the other side of ten days, I’d like to know what the time frame is,” GA*
- *“Skeptical. If it sounds too good to be true it probably is,” CA*

**NET:** 10 days is attention grabbing and appealing but participants were “skeptical” as to how long it would actually take.

## Reaction To Messaging Concept N

The idea that the IRS “respected my time and money” was unbelievable and heightened some Taxpayers’ skepticism of the IRS even more. Getting refunds fast was appealing but many participants simply could not get beyond the initial off-putting elements of the concept.

### POSITIVES

- Idea of fast refunds is appealing

**(N) e-file respects your time and money by getting you your refunds fast**

### NEGATIVES

- “Respects” was not appropriate or believable
- “How fast is fast?”
- Not all get refunds

- “Refunds fast – good thing,” GA
- “I like refunds fast,” CA
- “The benefit is money fast,” CA

- “I think it's left open on the definition of fast. It could be one day, it could be one month, it's a little more open ended,” NJ

- “I don't think respect has anything to do with taxes,” GA
- “Does the government really care about your time?” NJ
- “I think detail needs to be added to it, I don't understand how e-file respects my money,” NJ

**NET:** Getting refunds fast is a positive but participants were left with questions.

## Reaction To Messaging Concept T

The idea of the IRS contacting them was not a fear that most Taxpayers had even worried about and in this context, it sounded like a threat. Many also felt that the accuracy of a return was still dependent more on them or their Tax Preparer than anything that e-file would offer.

### POSITIVES

- “Accurate” is a key word

**(T) e-file is accurate. If you use it there is less likelihood you will have to be contacted by the IRS with questions about your return**

### NEGATIVES

- Majority have never been contacted by IRS
- Threatening
- Some question around ability to be accurate

- *“With this it's already done. You're the one that's putting it in, you don't have to worry about transposing numbers, you have to worry about them transposing,” GA*
- *“Yes you can make a mistake on paper, e-file will correct but still...” IL*

- *“It's only accurate if you make it accurate, only as accurate as I make it,” NJ*
- *“I didn't agree I think accurate is only the person inputting, the e-file is just a container,” GA*

- *“I'm not concerned about getting contacted by IRS. If I've done those things right I don't have to worry when they contact me,” NJ*
- *“I've never had the IRS contact me,” CA*
- *“Very intimidating if you don't use it you have a chance you will be contacted by the IRS,” CA*

**NET:** Although the idea of being accurate is appealing, overall this concept was not meaningful.

## Reaction To Messaging Concept **W**

“Easy to use” was extremely appealing and some paid filers even felt like they “might try to do it myself.” Participants typically did not believe that the IRS was understanding nor that “they even care about what I need or want.”

### POSITIVES

- “Easy to use” is appealing

**(W) e-file is easy to use – we understand what you need in order to get your taxes filed**

### NEGATIVES

- Idea that the IRS “understands” is difficult to believe and not desirable

- “Sometimes doing your tax form can be so complex,” NJ
- “It means that I could probably do it myself without having to pay people. To me it says it's easy to use,” GA
- “Easy to use is a very nice phrase, what we are all looking for,” IL

- “They don't know what it takes for us to put it together, it takes a lot, it takes too much,” GA
- “Just because they say they understand...I would love it if they do, but I don't think they do,” CA

**NET:** Participants want to know that e-file is easy, but do not believe nor want the IRS to say they are “understanding” because it is not believable.

## Reaction To Free File Messaging

Exposed to the Free File messaging without the benefit of other marketing materials, participants were confused by the “time” reference in this message. However, most liked the straightforward message of Free File being safe and easy.

**e-file with Free File. It's Safe. It's Easy. It's Time.**

### **“Time” is confusing**

- *“Time doesn’t fit, took me a while to figure out what it meant,” IL*
- *“Was thinking saves you time, time consuming but that doesn’t make it clear,” IL*
- *“I don’t get it,” CA*
- *“It’s time for what?!” NJ*

### **Catchy and clear**

- *“I like the little phrase. It sounds like I could actually do it,” CA*
- *“Free and user friendly I assume,” NJ*
- *“They are hitting the key things most of us have been wondering about,” IL*

# Communicating With Taxpayers

## Taxpayer Use Of Web Communications

A majority of these focus group participants indicated that they use the Internet as their primary source when looking for information. All were aware of advertisements on the Internet, but most ignore them. The few who mentioned taking action because of an Internet ad said that they did it because of tempting deals and offers.

### Internet For Information

- They look up and receive information from the Internet
- A few are using their phones to do this

### Notice Advertising

- Participants notice advertisements but tend to be “annoyed” by them and try to ignore them
- They tend not to trust Internet ads
- *“I find them very annoying. Information they promise you, you never get,” NJ*

### Rarely Take Action

- The few that mentioned clicking on banners or responding to other types of online advertising seemed to follow special offers or deals that were relevant to what they were doing online at the time
- *“Sometimes they offer you discounts, special offers,” GA*
- *“Not worth getting a virus,” CA*

## Attitudes Toward IRS & Web Communications

While the majority of participants use electronic media (the Internet and email) and many are comfortable enough to shop and bank online, most felt that Internet messages claiming to be from the IRS would be avoided because of the fear of being caught in a “scam” of some type.

- Many reported stories receiving “scam emails”
- Some even mentioned hearing “the IRS will never email you” and to avoid those emails claiming some connection.

**e-Mail**

- Participants overwhelmingly mentioned that they do not click banner ads, as a rule.
- Similar to attitudes toward email, taxpayers did not expect to see electronic ads from the IRS and most would assume that the ads would be fraudulent.

**Internet  
Banner Ads**

- Participants felt they would be much more open to seeing marketing messages from the IRS in “the more legitimate” media, such as TV, Print, or Direct mail.
- While participants would open mail from the IRS, many mentioned they would be frightened at the prospect of receiving “anything” from the IRS.

**Television &  
Print Media**



# Barriers To e-file

## Barriers To e-file

Finally, we asked participants to talk about why they are not using e-file. What we found was that, similar to most marketing efforts that require audiences to take action, the greatest barriers to e-filing were relative satisfaction with current practices, the lack of a clear benefit as a result of change, and the effort required to change behavior.

- **BARRIER #1 – Satisfaction with current practices:**  
Especially with regard to taxes, “if it ain’t broke, don’t fix it.”
- **BARRIER #2 – Lack of a clear benefit:** Most participants have not seen a compelling, personal benefit to changing the way they file.
- **BARRIER #3 – Changing a behavior:** Most have found a filing process that works for them and a change would require effort.
- **BARRIER #4 – Concerns about “electronic” filing:** As participants begin to consider e-file, fears about transmitting their “most personal” financial information emerged as a significant reason not to e-file.